

A CASE STUDY ON APPLICATION OF
WESTERN MANAGEMENT CONCEPTS ON CHINESE-RUN FOREIGN
SUBSIDIARY IN HONG KONG

by

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ABSTRACT

Hong Kong has been an attractive place to foreign multinational corporations (MNCs), it has the strategic advantage of being an entreport of China, deep harbour, centre point in Asia/Pacific region. Besides, it is a meeting place of east and west, Hong Kong Chinese are acceptable to modern, western practices when they preserve Chinese traditions and culture well.)

The consequence is many foreign MNCs prefer the territory as their regional strategic bases in Asia/Pacific region. The offices are either sales offices, branches or subsidiaries. As the business grows larger and larger, more effort is needed, sending expatriates becomes an expensive move, the MNCs finally resort to localization.

Problem arise: Is there any conflict between localization and application of western management concepts? Is the subsidiary not "westernized" enough but "localized"? How do management team and subordinates feel when they are working in a company of western and Chinese culture?

The purpose of this dissertation is to try to give some answers to these questions. In order to have an in-depth understanding of employees' responses, the research takes the form of a case study, a Chinese-run foreign subsidiary is selected, a sample of supervisors and subordinates are chosen to discuss certain areas of management functions in practice. The approach is purely qualitative and descriptive so as to learn the attitudes of employees towards application of western management concepts.

After some consideration, three topics are selected as focus of study: Performance Appraisal, Management by Objectives and Motivation. The company possesses a formal appraisal system, preliminary MBO method and a comprehensive reward system.

The company has been doing well since its establishments since late 70s. There are rules and procedures for staff to follow. But what employees value as a key element in an organization is "people" and the relationship with people.

While employees are fighting hard for own interests, they do not prefer interpersonal confrontation.

In short-term, employees are likely motivated by monetary rewards, this attitude is to a certain extent resulted from political uncertainty of the territory. Employees are not only looking for job security but also political security and financial security.

The results show that in managing Hong Kong Chinese employees, several cultural factors must not be ignored. Face, relationship, impartiality, trust, acceptance of power distance, harmony are the major ones. To understand these factors in details, a local leader and a local management team are in better position than an expatriate since the former are being brought up under same cultural environment, they can select the most appropriate management concept for use. The only cons is local managers carry weaknesses of their culture as their subordinates do.

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CHAPTER I

INTRODUCTION

It is beyond doubt to say Hong Kong has been developed as an international trade and finance centre. In the past 10 years, the number of companies had been doubled. On 31 March 1991, the number stood at 272,883 versus 96,261 at 31 Dec 1981¹. Among these companies, around 3,000 of them are overseas companies registered in Hong Kong. Despite the threat of 1997, many of which are established as Asia/Pacific regional quarter - the base in Asia/Pacific for extending market share and developing new markets.

Why is Hong Kong so attractive? It is a newly industrializing city and one of the four little dragons of Asia, has its per capita GDP doubled in five years' time (1991 : \$111,859 vs 1986 : \$54,034²). And it is the entreport for China, serves as China's window to the world and vice versa. The positive noninterventionism by government is another vital factor : import tariff constraint, foreign exchange restriction, rule on profit retention do not exist in this place. Besides, Hong Kong has a healthy financial structure : acceptable accounting standards, stock exchange regulations. High calibre and hard-working labor force are other attractions. Apart from all the above, government has been giving hands in creating an environment of fair deals by the establishment of The

¹ Source: Annual Digest of Statistics 1991, Section 20.8.

² Source: Hong Kong Monthly Digest of Statistics August 1992, Section 15.2.

Independent Commission Against Corruption in 1974.

As a new establishment, it may take the form of representative office, agent or branch; when it grows, headquarter sees the need to set up a well-structured and independent subsidiary. Expatriates will be sent to head the organisation at the very beginning but localization is always the end; especially nowadays, it is the dominant trend. So it is not surprising to find foreign subsidiaries which had been established over five years were led by Hong Kong - Chinese.

Problem Identification

Here is an interesting point : these foreign subsidiaries are, no matter they are American, European or Japanese, to a large extent, following their headquarters in organisation structure, management style, operational policies and procedures. In other words, western management concepts are induced in respect of planning, organising, leading and controlling. However their effectiveness very much depends on the one who implements them. Is Hong Kong-Chinese a right person because he is familiar with Chinese culture and knows how to adapt western management into Chinese traditions? Or is Hong Kong-Chinese an improper guy because he tailors too much and distort the implications behind the modern management concepts? In short, does modern management practice exist in form or in substance?

Western management concepts were developed in western culture, respective research and experiments were done on western managers and subordinates with quite different characters from Chinese. The later's behaviors are deeply and unconsciously influenced by Confucianism. Even though Hong

Kong is a meeting place for western and oriental culture, Hong Kong Chinese are somehow guided by "Jen" (仁), "Li" (禮), "Chung-yung" (中庸) and "Pao" (報) in daily life behavior as well as in management. This is the environment that they are brought up. Thus, it is bound to have "unmatch" between the two styles, if not "conflict". How do local Chinese managers shape or adapt western style behavior in local environment and how much adaptation is the right mix? Besides, what is the attitude of their subordinates towards the adaptation?

Research Objective

1. To understand how perfect the marriage between local Chinese management team and western management concepts is.
2. To understand the attitudes of both management team and subordinates towards working in an environment of modern management.
3. To explore the need for shaping western management concepts in oriental environment by managerial leaders.
4. To investigate the response of subordinates to above mentioned adaptation.
5. To evaluate the impact of "shaping" on effectiveness of the organization in respect of business performance, operation and administration.

Structure of Project

This project contains seven chapters. The following is a brief summary of each.

Chapter I introduces the issues and problems encountered, research objectives and structure of this project.

Chapter II proposes a framework and approach on how the study is carried out. It contains the research methodology, instruments, and reasons of selecting the approach.

Chapter III is the literature review. It gives a revision of western management concepts and a preview of Chinese style management from comparative management perspective.

Chapter IV introduces the background of company under study, its organisation structure and history in localization.

Chapter V lists the findings in our study. It selects and explains which western management concepts and organizational behaviors are adopted by the company; the interpretations of above by managerial leaders; and the responses of their subordinates.

Chapter VI is discussion on findings in previous chapter. It explains the necessity of and rationale behind adaptation by management and why subordinates respond the way found in the study.

Chapter VII gives comments and recommendations to the company and the case study.

CHAPTER II

RESEARCH METHODOLOGY

The research is an in-depth study on a Chinese-run foreign subsidiary. It takes a descriptive approach, focusing on the opinions and attitudes of management teams and subordinates.

The research method used for the study is a semi-structured interview with top level managers, mid-level supervisors and general staff in the selected company who meet the criteria established for the sample selection.

Foreign establishments in Hong Kong range from 10 to 1,000 staff. The smallest establishment can be a mere liaison office or sales and marketing office while the biggest one is probably an autonomous subsidiary acting as the Asia/Pacific regional quarter or an independent Selling Business Unit (SBU). Among the two extremes, a US subsidiary of around 100 staff is selected. The size is considered appropriate since too big a company will imply more bureaucracy, cause greater difficulty in selecting interviewees, but too small an office may render the study not representative. According to statistics from Dun & Bradstreet, around 30 percent of foreign enterprises are US based; and among 1,000 foreign enterprises, there are approximately 300 companies are under the employment range of 50 - 100 employees.

The company under study is a regional quarter of Asia/Pacific, having branches and representative offices in South East Asia and Mainland China. It

has its own line and staff departments but the company is not sizeable enough to make decision in business strategy. More important, the company was headed by Americans until 1986. Since then, it is an "all Chinese" company guided by U.S. headquarter's policies. Personal experience in the working environment, close personal contact with top management level and general staff may allow the implementation of an intensive study.

The project is of qualitative type, rather than quantitative, since it will be too general to apply a model or a method to different attitudes possessed by various organisational levels in a company. Moreover, only a number of staff are selected; in this case study, eight of them are the data source, it is anticipated that a sample size of eight cannot render statistical results either meaningful or reflecting the whole picture.

The eight staff to be selected is in the following tentative pattern:
 three from top management / department head level,
 three from mid-level supervisors, and
 two from low level staff or staff without supervision responsibility.

Criteria for Sample Selection

1. Staff selected must have been working / worked with the company for more than one year. We can be sure that the staff have, at least, a general understanding of the management practices, company policies and procedures. Also, they may probably come across recurring "big events" in a year, e.g. annual increment, promotion, bonus payment, annual budget preparation, marketing plan, stocktake, annual company trip, Christmas ball and so on. With their actual involvement in above processes, they can

express their opinions, comments, satisfaction or dissatisfaction more thoroughly. And we may prevent ourselves from obtaining information from imagination rather than experience.

2. Resigned staff are included in the population. This is to balance the psychological concern of existing staff in not giving 100% true opinions and feelings. They may have reservation to give their attitudes towards the management style as they are still working with especially they are Chinese. (In general, Chinese want to maintain a harmonious atmosphere even they are not really happy with the way they are being treated.)
3. The samples have to be of a proper mix of different characters: outspoken and not outspoken. More probing is needed for interviewing "not outspoken" samples. It is believed the attitudes of introverted employees are more important since company may not know what they are happy / unhappy with. It is always too late to take remedy when problems are intensified; but before intensification, the management are not aware of the necessity for proper adaptation and gap narrowing.
4. The sample frame should consist of male and female.

Besides conducting interviews with selected employees, observation of interviewees' immediate response, emotion during interview and during work will be the complementary research method. A pause, a gesture, a smile may imply degree of acceptance to a certain management practice. Observation during work was actually a recall from the writer's long-term memory when working with the company a couple of years ago. Though such observation was not current, it could be used to compare with current attitude of employees towards an issue.

Any discrepancy implies change of attitudes or adjustment of management style in that issue over time.

Secondary Data

There would not be much secondary data needed. Any secondary data needed are obtained from the group annual report, related journals. Government statistics are also the target data source for external environment in the case.

To conclude, the research tool is an intensive interview, semi-structured questionnaire will be prepared to guide the interview. Descriptive model is used to describe accurately the situation of the company, the comments and feelings of the people as well as the management.

CHAPTER III

LITERATURE REVIEW

This chapter gives a revision of western management concepts. This statement can be as broad as to give a revision on the four management functions. But for technical reason (the subject company would not allow us to do so for confidentiality) and time constraint, we will select only some of the elements / theories which are human behavior inclined as focus of study. To have more understanding on East and West contrast, if any, we will conduct a preview of Chinese management as well.

After long consideration, three topics are selected : Performance Appraisal, Management by Objectives and Motivation, since they are directly related with employees' interests and career development.

Performance Appraisal

Performance appraisal is an important process to employees at whatever levels. It tells an employee how far his past contribution is recognised by the employer and what the reward is. It is widely used by companies, highly valued by some theorists but at the same time, strongly criticised by some management researchers. In a Chinese society, seniority and loyalty are essential considerations in reward system. Thus we would like to see what role performance appraisal plays in a Chinese-run foreign subsidiary.

Performance appraisal is the process by which organizations observe and

evaluate an employee's performance, recording the assessment, and providing feedback to the employee. In turn, employees seek feedback on their performance as a guide to future behavior. Uses of performance appraisals can be summarised as follows:

- 1) assist in performance improvement,
- 2) act as a basis for compensation adjustments,
- 3) act as a basis for placement decisions,
- 4) identify training and development needs,
- 5) help career planning and development,
- 6) identify staffing process deficiencies,
- 7) help to find out informational inaccuracies e.g. errors in job analysis information,
- 8) discover job design errors,
- 9) ensure equal employment opportunity i.e. internal placement decisions are not discriminatory,
- 10) uncover external challenges uncovered i.e. outside factors such as family, health.

What is an acceptable appraisal system? The guideline is suggested in Figure 3.1.

A performance appraisal can perform only when it is designed to have certain characteristics :

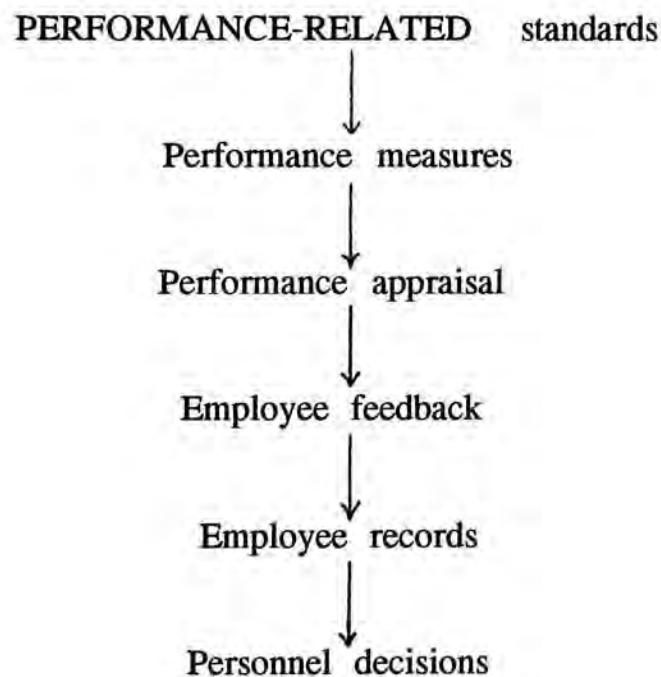
- 1) Goals at all levels must be determined by customers' needs, internal or external.
- 2) Performance appraisals should avoid using excessive numbers and

percentages as numbers block the process of setting expectations in new areas.

- 3) Appraisals should be comprehensive.
- 4) Distinction should be made between ongoing duties and special projects.
- 5) Goals should be developed for teamwork, communication, job enrichment, employee participation as well.
- 6) Performance appraisals should be participative so as to improve the quality and relevancy.
- 7) Supervisors must receive thorough performance management training. A system, good or bad, is implemented by PEOPLE.

FIGURE 3.1

APPRAISAL SYSTEM



Appraisal Methods

Rating scales

It is a widely used form of appraisal. Basically, it is a subjective evaluation of an individual's performance along a scale from low to high. An average score is then computed and compared for each employee.

Checklists

The rater is required to select statements that describe the employee's performance and characteristics on the checklist.

Critical incident method

In this method, the rater will record statements that describe extremely good or bad employee behavior related to performance.

Behaviorally anchored rating scale

A technique that relates an employee's performance to specific job-related incidents.

Field review method

In this method, a personnel specialist will assist supervisors with their ratings.

Comparative evaluation approaches

These are a collection of different methods that compare one person's performance with other co-workers.

The most common ones are ranking method, forced distributions, point allocation method and paired comparisons.

Self-appraisals

The most important benefit of self-appraisals is getting employees involved

in and committed to the self-development process.

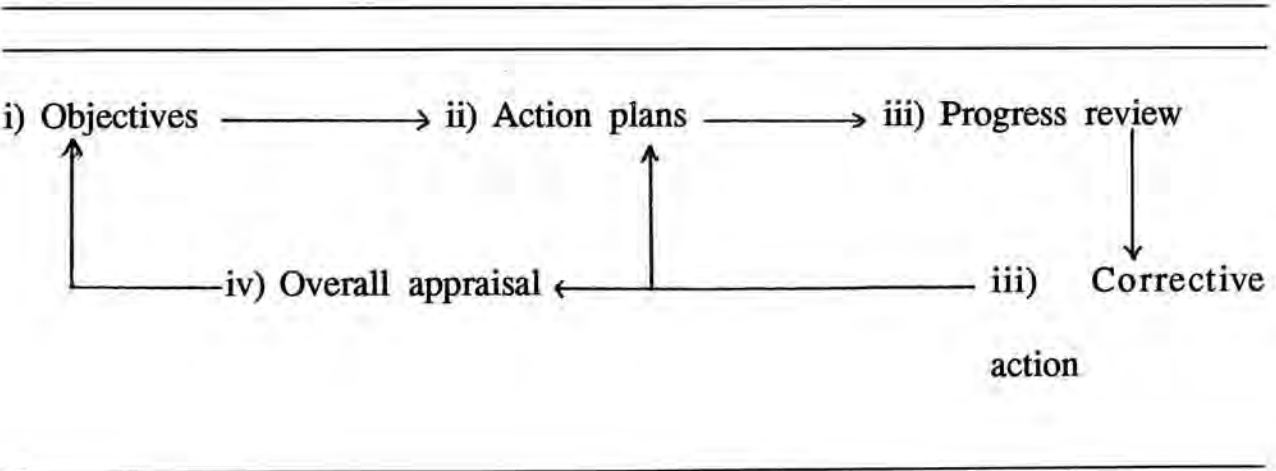
Management by Objectives (MBO)

MBO is a method whereby managers and employees define objectives for each department, project, and employee and use them to control subsequent performance. It is actually part of performance appraisal and appears as a controversial topic. It has a pretty number of benefits while it receives a large number of criticism. Two-way communication is one of the key attributes in an effective MBO. In Chinese culture, ways to behave when we deal with different kinds of persons and in different roles are implicitly or explicitly stated. Say, the way to behave between boss and subordinates are different from what between friends or father and son. We are interested to know whether the prescriptive ways have some impact on the two-way communication and goal setting.

Being different from traditional performance appraisal which emphasises employees' strengths and weaknesses, MBO focuses on achievement of stated objectives. There are four stages shown in Figure 3.2 :

Figure 3.2

FOUR STAGES OF MBO METHOD



i) Objectives.

- * Objectives must be realistic, specific, provide time frame and assign responsibility.
- * Objectives may be quantitative or qualitative.
- * Objective setting must involve employees at all levels. Top management set corporate objectives, middle managers set objectives for own departments and divisions. These objectives guide the individual objectives setting for employees.

ii) Action plans.

- * An action plan defines the course of action needed to achieve the objectives set, individual and corporate. It includes four elements:
 - 1) analysis of the specific operations and the requirements,
 - 2) synthesis of the individual operations in the process of production,
 - 3) process control e.g. plans for quality, quantity, standards, and back-up plans,
 - 4) provisions for suitable tools and support.

iii) Progress review.

- * It is a periodic, informal review between managers and subordinates to see whether the action plan is implemented on target and whether corrective action is needed.

iv) Overall appraisal.

- * The final step is to evaluate whether the objectives have been achieved for individuals and corporate.

Despite the above purposes, there have been long arguments on the benefits of and the problems with MBO.

From Levinson's summary on the goals of MBO (Zilbert: 1991, p.7), it is learnt that MBO has several benefits :

- 1) measure performance,
- 2) tie individual performances to organizational goals,
- 3) clarify employees' expected job accomplishment,
- 4) help individuals to grow,
- 5) improve communication between superior and subordinate,
- 6) provide a yardstick for pay rises and promotions,
- 7) motivate staff,
- 8) facilitate control and integrate the organization.

However, the critics of MBO point out the following (Garber: 1992, p.60):

- 1) MBO focuses exclusively on results. Results can be influenced by external factors beyond employees' control. So it may not be a fair grading.
- 2) Short-term results are valued over long-term results. Since employees are graded based on results, people intend to set and achieve short-term objective so that they can take advantage of it. The company, as a whole, becomes short-sighted and lacks long-term planning.
- 3) MBO does not really help improve. The appraisal cares whether the goal is met, not why and how the goal is met.
- 4) MBO is typically quantitative. As Levinson stated, goals became demands; there was fear among employees that the goals might not be met, as a result, quantity is targeted and quality must be ignored (Zilbert: 1991, p.9).

- 5) Employees concern specific projects at the expense of ongoing responsibilities. When an employee gets the message that if the specific projects are completed within the defined time frame, he will get the credit. He will work on the project and put less effort on ongoing duties. It is because superiors usually take performance of ongoing duties for granted, they give little attention to basic and important ongoing activities.
- 6) MBO discourages setting difficult objectives that involve more work and more risk. Staff set goals they are sure they can accomplish.
- 7) MBO engenders politics, rivalry and fear among employees, departments and divisions. Selfishness spread around. After all, if employees take time out to help another department, others may receive all the credit, while the helper loses time on personal goals.
- 8) It impedes creativeness and initiative. People find it safe to work under the old system, doing something new means starting from scratch, this may cause them lagging behind the race for upper management.
- 9) MBO does not work under changing environment. Objectives may have been abandoned before action plans implemented and taken effect while new objectives came into being and new action plans needed.
- 10) Again MBO will not work if there is no clearly defined corporate goals. This will happen when top guys do not support or do not communicate enough with the subordinates.

Motivation

MBO has the benefit of motivating staff as there is a target to achieve, in the whole process, an employee knows where he is standing at, what he is doing

and why he is doing this and that. Besides, he is rewarded upon objective achievement. Of course, this is not the only method. Theorists in this field have offered various needs and motivation theories. There is something in common : they focus on human characteristics. Each person is an individual and has his own value of judgement. But the value is somehow built up on the ground of the society and culture he belongs to. Hence, we would like to study whether need theories offered by westerners can be applied to Chinese-run foreign subsidiary and if possible, which one is the most appropriate.

Management students must have heard of Theory X and Theory Y in Douglas McGregor's *The Human Side of Enterprise* and Maslow's *Hierarchy of Needs Theory*.....In this section, we will make a summary on these theories. In addition to this, a briefing will be given on management in the 1990s - Theory J and Z as well as Theory E offered by Edward R. Zilbert.

Theory X

Theory X represents a traditional view of direction and control. It points out that human beings dislike, wish to avoid work, do not want responsibility, have little ambition and seek security. Thus, if organisation goals are to be achieved, management must exercise control, give direction and coercion to work over subordinates. Under such practice, there is little room for growth in human potential.

Theory Y

McGregor suggested integrating the individual and organizational goals. Opposite to Theory X, Theory Y postulates that people inherently like work, can

exercise self-direction and self-control, are able to learn and seek responsibility. Human beings are also imaginative and creative, so they should be given freedom, autonomy and responsibility. Implementation of Theory Y is conditional as McGregor writes "....integration, the creation of conditions such that members of the organization can achieve their own goals best by directing their efforts to the success of the enterprise." (Zilbert: 1991, p.10). In other words, individuals' goals should be linked to the organization's mission and vice versa. In reality, this can rarely be the case, though ideal.

Hierarchy of Needs Theory

Different from Theory X and Theory Y that suggested management style from generalizing human nature, Maslow categorizes human needs into physiological needs, safety needs, belongingness needs, esteem needs and self-actualization needs. According to Maslow's theory, lower-order needs take priority, they must be satisfied before higher-order needs are fulfilled.

Hierarchy of human needs

Figure 3.3 is the hierarchy of human needs by Maslow (Fukuda/Routledge, pp.153-154):

FIGURE 3.3
HIERARCHY OF HUMAN NEEDS

Self-actualization	self-development and self-expression to the maximum
Esteem needs	self-respect, ego or status
Belongingness needs	belonging to groups, affection and friendship
Security needs	job security, protection against danger
Physiological needs	hunger, thirst, warmth

Acquired Needs Theory

As far as Needs are discussed, David McClelland also developed the Acquired Needs Theory. McClelland concentrated on the needs learnt through life experiences rather than the inherited ones. The study included : need for achievement, need for affiliation, and need for power. Different people acquiring different needs, and such needs will have implications for management. For instance, people with a high need for achievement are likely entrepreneurs, people with a high need for affiliation are good co-ordinators, people who have a high need for power tend to be top managers in large organization (Daft: 1991, pp.408-409).

Theory E

E stands for eclectic. This theory postulates human beings are complex.

People have some characteristics of both Theory X and Y. It is not correct to isolate people into these categories. As a manager, he must be trained to give constructive criticism and evaluate the job performance of subordinates.

The phrase "goals and objectives" is not used in Theory E, it is substituted by "wishes and dreams" which imply they are not demands. It helps eliminate fear at the workplace that engendered under MBO system.

The theory aims at making profits in the long-run. Profits are the result of providing customer satisfaction at a competitive price.

Theory E focuses on cost control which is salient to the survival of the firm. Besides, R & D is also emphasised in new product introduction and in marketing. After all, there must be greater involvement and co-operation of general staff / workers in decisions involving production, quality and product design.

E.R. Zilbert of California State University, USA realizes there is no substitute for accurate identification of problems. Most problems are unique to the firm and of an ad hoc nature, effective managers must develop the ability to identify different problems (Zilbert: 1991, pp.12-13).

Theories on motivation discussed here are not exhaustive. Instead, we pick up those which are considered relevant in our study. But it is very true each problem is unique and so is each solution. When the problem is complicated by different culture, there are more arguments on question of universality or uniqueness. The two major opposing streams of thought are :

- 1) Effective management is based on universal principles and practices which can be transferred to any culture;

2) Management is substantially culture-bound.

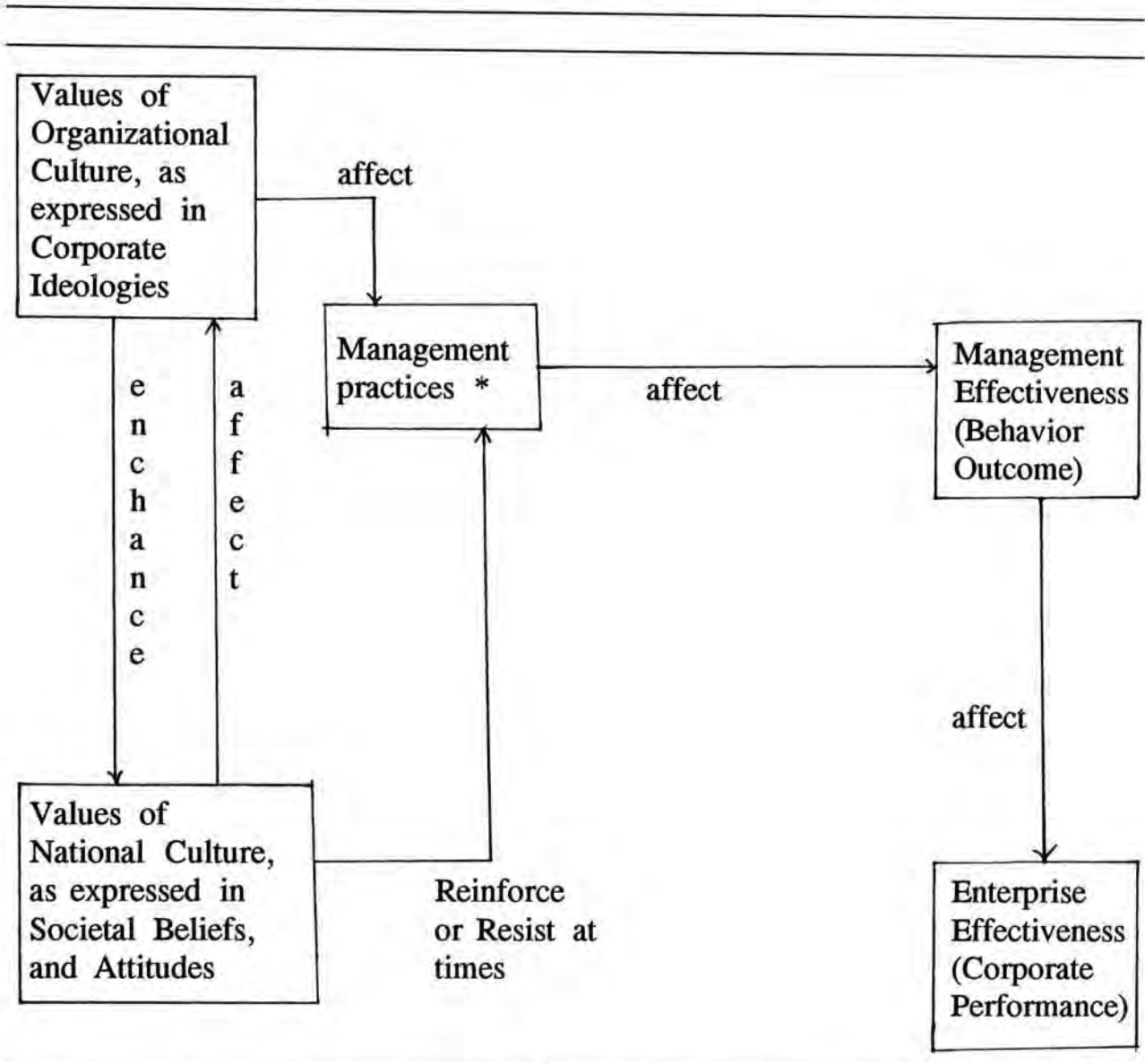
According to Malinowski, culture is a well-organised unity divided into two fundamental aspects - a body of artifacts and a system of customs (Fukuda/Routledge, "Comparative Management", p.40). Oberg once argued that the applicability of management principles was limited to a particular culture, there was no common set of principles (Fukuda/Routledge, "Comparative Management", p.27). Put it in another way, culture have influence upon an organization, however, the organization in turn influences individual behavior. Culture may also influence attitude which shape behavior, the changed values of organizational members then influence the organization.

Nevertheless, the reality is multinational companies focus heavily on technical training, sales and marketing training rather than personal adjustment and cultural training. There have been a number of researches and studies on how culture affect management practices, cross-cultural management and comparative management. In the book, "Japanese-style Management Transferred - The experience of East Asia" by K. John Fukuda, a Comparative Management Model is proposed as presented in Figure 3.4(Fukuda/Routledge, "Comparative Management", p.36):

The model brings forth a causal linkage between culture and management. Similar to what is mentioned above, organizational culture affects management practices. The practices are then reinforced or resisted by the values of national culture. Such practices directly affect management effectiveness and then enterprise performance.

FIGURE 3.4

A COMPARATIVE MANAGEMENT MODEL



* Note : The practices employed in managing the "social system" in an organization.

East and West Contrast

Among the various East and West comparisons, we would limit our review on the Americans and the Chinese. The US is always viewed as an individual-oriented society, people concern objective accomplishments, present and near future. Before we move to the Chinese culture and management style, we have

to bring our attention to one of the most influential studies of this kind by Hofstede in a US-based MNC operating in more than 40 countries (Fukuda/Routledge, pp.82-85). Of the four dimensions, power distance, individualism, uncertainty avoidance and masculinity, the first two are particularly useful in discovering sharp contrast between East and West, Table 3.1 shows a comparison between US and HK.

TABLE 3.1
CULTURAL DIMENSIONS COMPARISON: US vs HK

	Power distance index	Individualism index
US	small	high
HK	large	low

In respect of uncertainty avoidance, Hong Kong Chinese exhibited a low index. Generally, men and women in Hong Kong enjoy almost the same pay for the same work, it is confirmed by the result of study that Hong Kong got a low index on masculinity dimension.

Four Cultural Dimensions means:

Power distance	The extent to which a society can accept a hierarchical of power in an organization.
Individualism	Opposite to collectivism. Individuals take care of themselves and their immediate family only.
Uncertainty avoidance	The degree to which uncertain situations or threats are avoided in a society.
Masculinity	How far masculine traits such as assertiveness, independence and insensitivity to feelings are emphasized in a society.

Chinese Culture at a Glance

Here, culture is discussed on relative and averaged scales. Individual differences within cultures are beyond our scope though they cannot be ignored. And we will restrict our discussion on four concepts : jen, li, chung-yung and pao.

Jen Man is a social and cultural being. People are treated according to their personal relationships with others, not merely to merits. Social harmony is highly valued in a society, as a result, Chinese individual's behavior may not reflect his own preferences and free will.

Li It states the proper ways to behave in social situations e.g. friends with trust, emperor with loyalty etc. Being socially acceptable is essential.

Chung-yung That is centrality and commonality. Under this principle, people do not like to go to extremes.

Pao It states a cause and effect relationship, limiting people from engaging in bad practices (including bad business practices) as they believe bad deeds will be "taken care" by Heaven.

Besides, "face" is particularly important in Chinese societies. Superiors cannot lose face before subordinates and it is taken for granted the latter will run into trouble if they make their superiors losing face.

Insight into Chinese Management

No matter how modern a local Chinese can be, he or she is somehow brought up in a Confucian way, either by education or by family. This is deeply rooted, something he or she cannot get rid of. Confucianism emphasizes a

manager's personal character and his impact on subordinates. A good manager must present himself as a good model to his subordinates. To the company, harmony is an important value of corporate culture, sometimes, more important than organizational effectiveness.

What are the old principles of good Chinese management ?

- 1) Managers should be morally upright.
- 2) They should establish rules for subordinates to follow.
- 3) They have absolute authority and power.
- 4) They should create and maintain harmony in their department.
- 5) They should be impartial in giving rewards and punishment.
- 6) They would require and control subordinates' behaviors to be consistent with their own.
- 7) The companies structure are highly centralized.
- 8) The organizations are used to vertical specialization i.e. numerous organization levels.
- 9) They tend to use less formal planning and control systems. There are rules and regulations but they are not seriously carried out. Sometimes, the boss is the one who breaks the rules by using his absolute authority.
- 10) Rewarding is based on not only performance but also seniority and loyalty.
- 11) They provide limited formal training to staff but on-job orientation.
- 12) Personal connection has great impact on recruitment. Managers trust their own people.

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CHAPTER IV

COMPANY BACKGROUND

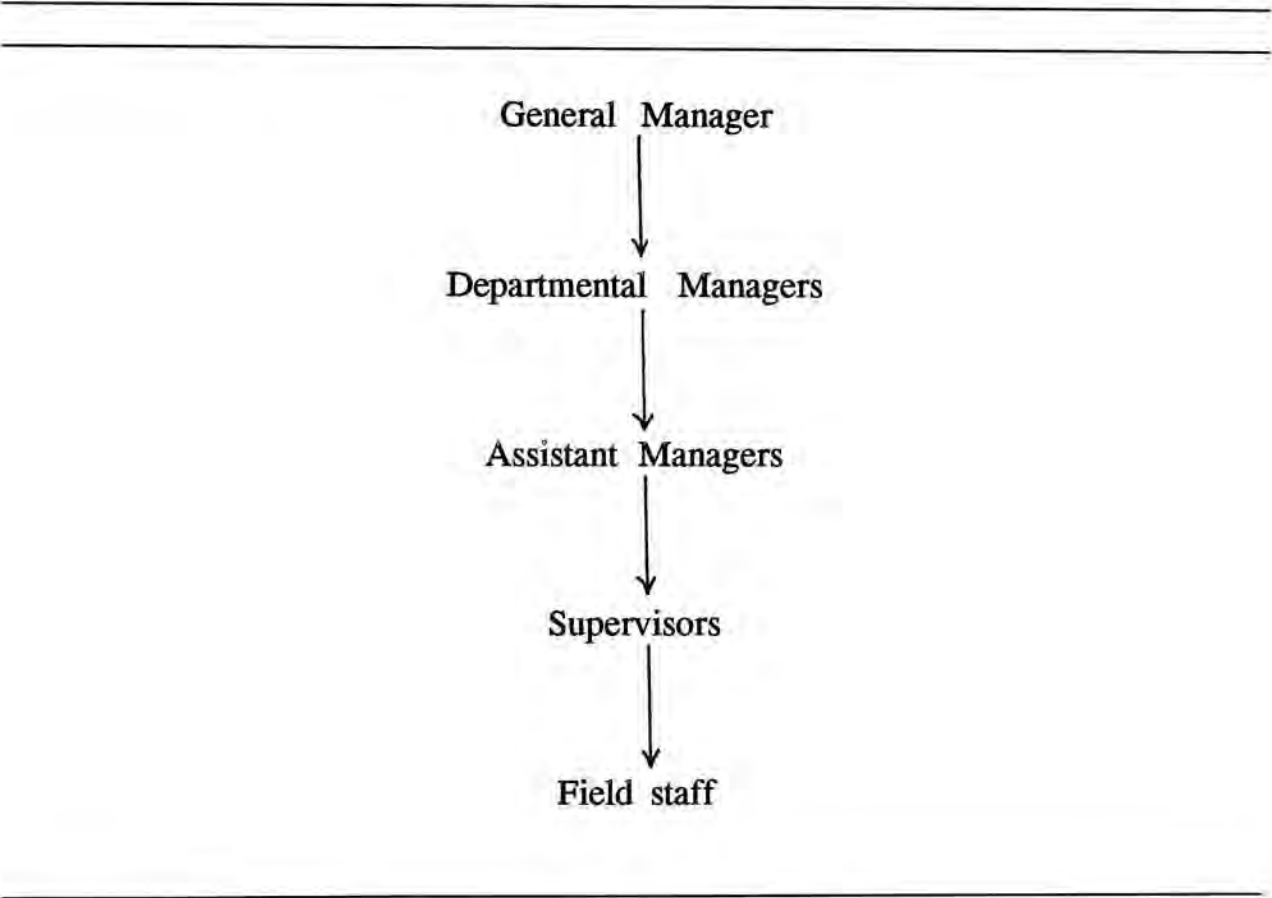
The company is among the largest and best players in its electrical components industry. It has built its reputation on people who are specialists in each of the industries it serves, including communications, industrial and commercial electronics, computer, office equipment and consumer goods. This US manufacturer's international expansion have been incremental. In order to sustain growth and to keep its customers, it chose to diversify geographically. It followed its customers and began to invest abroad. In the 1950s the US holding company set up subsidiaries in Europe and Asia while subsidiary in Hong Kong was established in late 1970s. The subsidiaries including the one in Hong Kong were first set up in the form of sales offices. These were later developed as branches and later transformed into wholly owned subsidiaries.

Very soon, Hong Kong subsidiary became the regional quarter of Asia/Pacific, heading representative offices, branches in South East Asia and Mainland China. Right from its establishment, the company was led by US expatriate until mid 1980s. Year 1986 marked the beginning of localization in top management. A Hong Kong Chinese was promoted to General Manager from Sales Manager. Actually the recruitment policy had been geared towards localization, from functional management to top management. It was until 1986 that the company was run and operated by an "all Chinese" team. From then on, policies except pricing, financial reporting, budgeting formulated in the US

headquarter were tailored and amended to suit Hong Kong business environment. The company holds the belief that locals rather than expatriates help sales and morale.

The average age of the HK company (Co.) is late 20s and the average age of the management team is at mid-30s. Actually, all but one managers are at mid-30s. 75% of the managerial staff are either degree holders or professionals. Thus it is considered as a young, modern and energetic company. The following Figure 4.1 is the organization structure of the company.

FIGURE 4.1
ORGANIZATION STRUCTURE



It is not a rigid structure. Some of these positions/levels are not filled.

They can be created or deleted from time to time upon General Manager or together with manager's decision. For example, if a supervisor is assessed for promotion as Departmental Manager but evaluated as not meeting the requirements, he may be promoted as Assistant Manager instead; the GM will act the Manager's post (if it is vacant). A new level, assistant manager is then created. The other alternative is : he will not be promoted.

Management Philosophy

The company desires all employees' top-of-mind philosophy to be "Total Customer Satisfaction".

Total Customer Satisfaction

This philosophy is represented in zero-defect product, just-in-time delivery and error-free service. Striving for perfection is not confined to the R&D and engineering functions but a company value.

"Customers" here do not refer only to the buyers, but also the people you provide services to under your duties and responsibilities. It can be your boss, your staff, you peers, another functional departments, fellow subsidiaries or headquarter. "To satisfy your customers 100%, no delay, no complaint" is the No.1 philosophy.

An extension of Total Customer Satisfaction is Excellence.

Excellence

To perform all jobs in a superior way and in a speedy manner. For example, answer queries within 24 hours.

Management Practice

There are, of course, more than one management practices in the Co. One of them we would like to mention in this study is "Promotion from Within". The promotion of sales manager to General Manager in 1986 was a typical example of the practice, which also achieved true localization. The GM has been adopting and encouraging promotion from within at all levels, when possible; believing this is one of the key motivators.

Brief Description of Existing Systems and Practices

Here we will mention only the areas we tend to focus on in this dissertation.

Performance Appraisal

Performance appraisal is conducted twice a year. One takes place in mid-year and the other at year end. The former is a periodic review on progress of action taken for a certain job, the latter is considered more important by staff as it determines the annual increment and promotion prospect.

The appraisal takes several forms : performance appraisal, self appraisal, staff appraisal.

Performance appraisal :

The appraisal form is divided into two parts. The first part adopts the oldest form of rating scales as in Table 4.1:

TABLE 4.1

EXAMPLE OF APPRAISAL FORM (EXTRACT)

	very poor 1	poor 2	fair 3	good 4	very good 5	excellent 6
Delegation						
Responsibility						

In addition, there is an average rating for determining increment rate; it is a simple average of individual ratings. The second part is comments on strengths, weaknesses, achievements, actions needed and general comment. Based on this form, an evaluation sheet is filled out by supervisor on increment rate and promotion status.

Self appraisal :

Self appraisal form is filled out by employee himself about career goals, past job accomplishments, expectations, targets in coming year and assistance needed from the company. Apart from this, explanations / justifications are needed for picking extreme scales i.e. 1 or 6.

Staff appraisal :

It is filled out by subordinates on their immediate supervisors. Rating scales are used and general comment required.

Against performance appraisal, appraisal interview is conducted between immediate supervisor and individual subordinate. But before interview is conducted, the completed appraisal form has to be passed to Personnel for review to ensure there is no biased result. During the interview, both parties go through the appraisal form and obtain feedbacks. At the end of the interview, supervisor and subordinate have to sign on the appraisal form as an agreement to what have

been put down. Then subordinate will keep a copy of the form and superior will keep the original for record purpose.

MBO

This control system is basically implemented in Sales Dept. All levels of sales people (except supporting clericals) are assigned quantitative objectives - i.e. sales quota. Their rewards are calculated and performance are evaluated mainly on the extent these objectives are met. Besides Sales Dept., quantitative objectives are set for Purchasing & Shipping Dept., when needed. The objectives can be : a certain stock turnover ratio, delivery leadtime, tonnage handling etc.

For remaining departments, qualitative objectives are set and specified in performance appraisal forms. Progress and final review are incorporated into performance appraisal. The setting of qualitative objectives is discretionary i.e. they are set against certain projects or problems. In other words, not every employee experiences MBO process.

Motivation

Incentive system

Put it in brief, incentives given by the company take the following forms:

- 1) Monetary reward salary, commission, bonus (year end and discretionary); the year end bonus is statutory while release of discretionary bonus is based on two criteria : performance and profitability of the company in the year

- 2) **Reward-in-kind** car (discretionary, to managerial staff only),
parking space (to managerial staff only)
- 3) **Promotion**
- 4) **Best employee award** non-recurring
- 5) **Long services award** five year, ten year awards, recurring

CHAPTER V

FINDINGS

In our study, there are 8 respondents from different levels in the subject company - top management, middle management and field staff. Here, top management refers employees holding offices as department heads; middle management level includes supervisors of various departments while field staff are staff without supervisory powers. In this chapter, the findings and attitudes are summarized on the basis of these three levels.

Top Management

Respondents Profile

The respondents profile is presented on Table 5.1.

Performance Appraisal

All three respondents at top management level point out the definition of performance appraisal as a process to evaluate employees' performance. It is agreed the appraisal is a major supporting for compensation adjustments and placement decisions; it provides feedback to not only subordinates but supervisors, in other words, it also acts as a communication channel between the two parties. Two of them mention that strengths and weaknesses can be identified through appraisal; one views the process may uncover uncontrollable problems and one believes training needs can be detected.

TABLE 5.1

TOP MANAGEMENT RESPONDENTS PROFILE

Position	Top Management			Middle		Management		Field		Staff
	Sales Manager	Sales Administration Manager	Manager - Purchasing & Shipping	EX Financial Analyst	Stores Supervisor	Assistant Manager - Purchasing & Shipping	Secretary	Ex Sales Engineer		
Age	35-40	25-30	35-40	30-35	35-40	30-35	25-30	25-30		
Sex	M	F	M	M	M	M	F	M		
Years with the company	5	5	4	2	4	5	3	2		
No. of subordinates	18	15-20	around 20	4	6-10	7	N/A	N/A		
Had you ever worked for a foreign subsidiary in Hong Kong with or headed by expatriates ?	No	No	Yes	Yes	Yes	Yes	No	Yes		

No one mentions the uses of career planning and development which can be covered in the second part of performance appraisal and in self appraisal. Apart from this, no respondent comes up with discovering staffing process deficiencies, job design errors and informational inaccuracies. In their minds, appraisal system in the company is typical and serves the key purposes.

Basically, the responses at middle management level are quite similar to those made by top management. They appear to have more concern on operational problems, one respondent mentions the use of uncovering problems staff may have and those in job design. And one regards the process as for record keeping purpose.

Nevertheless, according to them, the purpose of uncovering problems is not achieved in the appraisals conducted in the company. One reason may be : supervisors are too concentrated on the first part of appraisal form as the overall rating determines the increment rate and placement.

The two respondents at Field Staff level focus mainly on reward basis while do not mention job quality upgrade or any signal on assistance needed from the company in improving performance.

One of the respondents does not have much confidence in performance appraisal, feeling that superiors tend to pick the average rating for convenience and do not pay enough attention to uncontrollable factors that would cause bad job performance.

To sum up, the respondents all comment quality of "people" which determines whether a performance appraisal can perform. Samples selected at middle management express two other viewpoints :

- * appraisal is only a formality; communication with staff, providing feedback and evaluation are an on-going process,
- * sticking to appraisal form may ignore effort spent during task implementation.

One even points out building up trust, personal relationship, mutual understanding and learning the needs are more useful than filling out the document. Document can be made up to satisfy their needs. To him, appraisal becomes a time-consuming process, to reduce "inefficiency", he would give average ratings to every item on every form to every subordinate if there is no particular problem on the subordinates. His rationale is : it saves time, it causes least dissatisfaction when subordinates compare with each other (though officially not allowed).

It is highlighted that *flexibility* is needed and justified in dynamic business environment. There is no resentment on breaking rules and procedures by their superiors. In fact, ability to remain flexible is appreciated and is believed to gain credit by superiors. But the limited authority of lower levels restrain them from making any overruling decision. Instead, from the way they respond, they do not appear happy with their superiors in breaking the rules when they work hard to follow; even though they think *being flexible* is the superiors' authority and responsibility.

Performance improvement is considered as a continuing activity. Top and middle management respondents, playing the role as superiors and subordinates, resort to on-job meetings, discussion or informal social gathering to get / give feedbacks rather than rely on performance appraisal. They treat the latter as a

summary or reminder for past doings, as a yardstick for future performance but not actually contribute to improvement. The field staff has a more positive opinion on appraisal as a signal whether *performance needed to be improved*, and it is highlighted in the second part of the appraisal form - open-end questions and comments.

Concerning *fairness*, respondents give an average rating or just above average rating to performance appraisal. They incidentally point out the worry of subjective judgements and interpretations by different persons. Two of the middle management respondents, as superiors, are inclined to give average ratings to their staff - to avoid trouble. On the part of field staff, male respondent thinks the fairness is a function of superior's values and female respondent gives the rating based on experience.

Answers on *biased result* also show different experiences. Top managers believe that *biased result* will take place if there is a critical incident that occurs especially right before appraisal; and if superior has preconception on his subordinates. Two supervisors and one field staff respondent do not think results are biased while one supervisor raises two causes of bias : critical incident and non-acceptance of personality. There is a respondent not showing confidence in superior's judgement and wondering whether superior will pass the blame to subordinates.

Table 5.2 gives a picture of ratings to impact of *favoritism and resemblance* on appraisal results.

TABLE 5.2
FAVORITISM AND RESEMBLANCE RATINGS

	Top Management	Middle Management	Field Staff
Favoritism	4,5,5	3,2,3	4,4
Resemblance	4,5,5	4,2,3	3,4

"Most managers favored yes men." is their response. The respondent who picks 2 has the thought that different characters are beneficial to the department because it makes it more balanced; different kinds of staff can handle different nature of tasks. One of the field staff thinks too much resemblance will cause a threat to superior. Favoritism is more influential and it explains why close relatives of the top management are working in the company.

It appears to the writer that lower level respondents do not like self-appraisal and do have reservation on staff appraisal - fear of being recognized in putting down particular comments against their superiors.

MBO

There is a consensus that MBO is a method whereby objectives are clearly defined and standards agreed between superiors and subordinates. In their opinions, it provides a yardstick for performance measurement, pay rises and promotion. Two of them mention it has the benefit of staff motivation; and there is only one respondent talking about its use of providing a communication channel between two parties; also, only one out of eight respondents brings out the point that individuals may grow together with the department and the company.

The top-of-mind problem with MBO at top management level is : pressure on, rivalry and fear among employees. It is followed by short-sightedness; employees are working towards short-term objective achievement at the expense of long-term planning. This helps them get return quicker. Besides, employees become risk adverse - avoid to set difficult objective i.e. play safe. As a result, MBO process becomes a lengthy process in order to compromise on an acceptable objective standard to both parties.

In addition to the problems mentioned by top management samples, the respondents raise a couple of concerns :

- * It is theoretically objective, but in practice, external factors and uncontrollable internal errors caused by other departments may badly hit the result.
- * Lots of administrative effort needed in monitoring and review.
- * MBO is doomed to be a failure if objective setting is dominated by superior.
- * Unwillingness to give creative ideas.
- * Qualitative objectives are vague.

Moreover, the field staff query its fairness as degree of difficulty in objectives set for each subordinate cannot be the same. MBO may not be appropriate for every position e.g. secretarial duties which are on-going and qualitative in nature. Again, it is considered to create pressure on staff.

The respondents do realize and accept objective setting is *superior-dominated*. But the reasons are quite different. At top level, acceptance is based on insufficient knowledge about corporate goals. They have the thought that what

they know about the corporate strategy is narrow and shallow; only information related to their responsibilities is released, as a result, they let superior take the lead. And they take the lead when setting lower level objective with their subordinates. In middle managers' mind, superior's apparent authority is deeply rooted, this justifies the domination. Field staff find that superiors always have bottom lines in mind already. Compromise is time-consuming as subordinates are asked to set their own objective standard freely but interference comes later by query and disapproval because the standard is beyond the bottom line.

In general, samples selected give an above average rating on the effectiveness of MBO in *improving communication* between supervisor and subordinates. However, one field staff respondent comments the price for communication is sometimes rather high - criticism from boss during negotiation process and grievance accumulated.

While the respondents agree the company should work towards *integration among individual goals, departmental goals and organization goals*, they have reservation on the feasibility, again they believe the people is attributable to the problem - differences in interests and communication. And goals can be conflicting with each other.

The selected samples have alert minds on *conflict of interest among peers and departments under MBO system*. Selfishness spread around as employees are working for own interests to reap the rewards, they are struggling for resources, some are reluctant to help others, some are complaining on extra workload as they perform "additional" duties in order not to worsen relationships among peers. One of the interviewees responds this is the management style of the company -

management by conflict; when there is conflict, there is competition and there will be progress. Employees, while fighting for own interests, try every effort to avoid disharmony, they do not want to cause any trouble nor worsen social relationship with colleagues because it makes work and working in the company difficult in future.

The critics of MBO have pointed out MBO would *impede creativity and initiative*. Top management respondents agree to the argument if objectives are on short-term basis. But two of them think that employees may come up with creative ideas because they want to reach targets in an efficient manner. There is not much idea on impeding or not impeding creativity and initiative in middle and junior levels.

The samples have diverse thinkings on MBO system, in summary :

- 1) objectives should be long-term besides immediate ones,
- 2) objectives should be set for on-going responsibilities,
- 3) objectives must be realistic,
- 4) frequent reviews of actions are needed, not just in performance appraisal,
- 5) company should be more open if genuine participation from employees is treasured,
- 6) mere goal setting is not enough, operational support is considered more important to individual growth.

Motivation

As department heads, it is no doubt respondents can list all the incentives and compensations given by the company. Respondents at the other two levels

do not have any idea or expectation on best employee award.

By order of preference, there is an emphasis on salaries/commission, bonus and promotion. No one mentions long-service award.

As far as *needs* are concerned, promotion and salary increment are preferred. For the ones who prefer salary increment, they express satisfaction with the company's adjustment policy. In the pursuit of promotion, respondents demand more authority and autonomy in achieving his individual goals. It is an indicator of need for power. It is a bit surprising top managers still concern about monetary rewards as they think their subordinates do.

With regard to *subordinates' preference*, attitudes are different by sex. Male subordinates drive hard at promotion while female staff desire stability and security in jobs. Amount of workload is the concern to female, rather than job satisfaction.

In respect of *communication channels*, it seems that most respondents do not care much on narrowing the distance with their immediate supervisor. They mainly make use of formal channels like appraisal interviews and meetings to convey messages or demands if those are critical. It seems both parties are happy to keep some distance, only a minority tries very hard to break the wall through informal channel, thinking that it will be easier to convince the superiors so that needs can be satisfied and justified.

In consequence, the former do not value *company activities* much nor require subordinates to join while the latter shows up when the superior participates and makes the activities compulsory to subordinates.

The responses show that *the incentives / motivators employees in general are*

looking for remain materialistic in nature : housing allowances, tax subsidy, vacation passages. Two out of three desire a larger office of their own which symbolizes status, power, their needs for self-esteem and power are obvious. They also favor ESOP in which stock certificates are granted or sold at a below market value and allowed to dispose of freely. Other demands such as unconditional assistance to continuing education (contract to work after education is needed from employees for the time being), extension of overtime premium to supervisory level (i.e. replacing existing compensation leave), allowing more autonomy. Extension of rewards-in-kind to non-managerial level are preferred by middle management and below.

One common motivator respondents pursue is appreciation of employees' effort - verbal and/or written. In respect of job itself, job enlargement is not preferred by field staff, they enjoy specialization in job duties.

Rewards in money terms are regarded as *key attributes of motivating subordinates*. But there are something more especially at middle management level - specific promotion policy, autonomy, authority being commensurate with responsibilities, sense of importance and room for self-development. Field staff respondents ask for realistic goal, impartial attitude and belongingness. There should be more transparency on corporate goals to develop staff's sense of belonging. They view current company activities as formalities to follow company benefit policy and become political when some managers / departments behave in the way that they can gain favor from the top.

On the part of *a good leader*, qualifications are quite diverse. Common attributes are :

- * mutual respect and trust
- * impartial attitude
- * not to have preconception on subordinates
- * problem solving and sharing difficulties
- * not to compare among subordinates
- * to be a good model to follow, technically and morally
- * democratic in the sense that giving freehand to staff in carrying out duties
- * fighting for interests on behalf of them
- * giving clear instructions
- * working with them to understand and experience problems
- * proper delegation
- * providing opportunities to grow
- * creating harmony to the department
- * not to be too demanding

However, on average, they can live with current leadership style though not all requirements are met.

The greatest problem encountered in supervision and leadership style is "people". Some kind of charisma is needed in supervision; usually, subordinates like to have a smart supervisor who has influence over others. Superiors need to establish good relationship with staff but must not be too friendly.

Another problem is vested with the subordinates, in the 90s, subordinates are relatively short-sighted, they seek for immediate return rather than prospect or career path in long-term. When they are not totally satisfied with their

supervisors, they are seen to be able to live with or tolerate current situation. But from the perspective of retaining staff, it does not add to the cost of changing jobs. The statement that "Human beings are complex" summarizes respondents' opinions.

CHAPTER VI

DISCUSSION AND INTERPRETATION

Here we would like to repeat the three areas we have chosen for study are not the target of our study. They are used to narrow our scope of study; in other words, they are means to an end - study on application of western management concepts on Chinese-run foreign subsidiary. Henceforth, we may involve other management concepts in the discussion as well if we get such insights from Chapter IV and V.

In this chapter, we are going to give the discussion on and interpretation of findings in the following manner :

- 1) We look into and describe the rationale of existing system, management practices, comprehension and benefits policies laid down by the company.
- 2) Then we compare results and employees' responses expected by the company in implementing those system and policies with our findings.

Organization Structure

A US company is famous for its flat organization structure and wide span of control. Each employee takes extensive scope of responsibilities including clerical and non-clerical duties. Companies in Hong Kong are quite different, usually, they separate clerical and non-clerical job duties; that is why there are

positions like operators, typists, clerks, assistants who are responsible for repetitive routine work such as typing, photocopying, data input etc. Non-clerical staff do not like these routine duties and treat this as junior and inferior. In short, companies are having tall organization structure.

In the company we are studying, the ranking was much simpler in the 80s than that in the 90s. Now, there are on average two ranks in the junior level, making a total of six levels in a company of around 100 staff. According to John Child, a management researcher, the average number of hierarchical levels for an organization with 3000 employees is seven (Wright / Pringle / Kroll: 1992, p.148). The point to note is : there are altogether six departments, line departments have staff over 20 each while staff departments have employees under ten each. With six levels in departments of such size, there are a couple of phenomena: duties and responsibilities are not well-defined for senior and junior in field staff levels, the difference is the years with the company and experience with the job, it may imply seniority and loyalty are accounted for in the decision to promote junior level staff to senior level. Because of small size, not every level is filled, and the levels are not officially announced until they are filled.

The company justifies the increasing levels in structure by a need arising from company expansion. Back to basics, the company is adopting a flat structure, but at the time it is growing, middle-managerial and supervisory level are important to link the top and the bottom, the top management is now working towards corporate goals and giving advice on corporate strategy, they have to delegate operational responsibilities to somebody e.g. overseeing daily operations to make sure they are smooth, therefore, a new level is created to meet the need.

In fact, creation of new levels is an incentive to staff, aggressive employees are looking for promotion opportunities, it will be too remote for them to replace the department head, something in between would be appropriate.

The reason not to make the levels "public" is : every department has different needs under different circumstances.

Back to our findings, it is true that employees long for promotion especially at supervisory and junior levels who are authority and status oriented. While staff are not very happy with sudden increase in supervisory / senior levels, they do realize these are opportunities and hopes for them.

Performance Appraisal

The company considers rating scales as a fair method. It is objective, simple and self-explanatory. There are guidelines and illustrations on the scales : how good is good, how poor is poor. In addition, management team is composed of professional managers. It is natural the overall rating forms the basis of evaluation for annual increment and placement decision. A problem arises : the second part - comments - is totally neglected in decision. It seems to the writer it is taken for granted strengths and achievements are positively related. Superiors may give ratings on the first part based on achievement made during appraisal period.

It is fair also because explanations are required for extreme scales given. Besides, Personnel Department would review all cases before interviews taking place. In other words, third party is involved in the appraisal, fear of subjective opinions arising from personal bias, friendly relationship are removed. Normally, there would not be an independent personnel in the appraisal interview except

there are serious staff problems. It is kept private and confidential. Third party involvement is considered inappropriate as the subject parties do not want to lose face during the compromise or argument. In other words, field review method as described in Chapter III is not welcome in this environment.

Unfortunately, such fears do not disappear in our findings. Samples from all levels comment quality of people as a determinant in fairness of performance appraisal. Their demand on an impartial manager matches with Chinese management context that manager should be impartial in giving reward and punishment and they are empowered to do so.

On one hand, request for explanation for extreme cases is useful to avoid bias, on the other hand, this encourages centrality which is one of the concepts noted when we carry out literature review on Chinese culture. From the study, two respondents are inclined to give average rating to his subordinate, one subordinate feels average scale will be given to avoid trouble. Incidentally, the company policy reinforce the chung-yung concept. Or should we put it this way, "Because of chung-yung concept, there is such a policy - explain the extremes." ?

The company implements self appraisal in order to involve employees' participation and agreement on past achievement and future goal setting.

In general, this process does not gain popularity from employees. Contrary to its purpose, employees are not willing to "participate". Some respondents do not like to fill out the forms because they do not know to express themselves or do not think there is anything that should be put down. This is basically a lack of training and orientation in self-appraisal.

Flexibility is highly valued by the company; it is a marketing and sales

office, business environment is everchanging, customers' requirements are everchanging, to satisfy the customer fully, flexibility in carrying out rules and procedures to the extent that company's interest are appreciated.

Though respondents have reservation on their superiors' actions or decisions in breaking the rules, they accept them to exercise such power without query. It seems they believe their bosses have good reasons and there are necessities to do so. This is in line with the old principles of Chinese management - managers have absolute authority and power that need not seriously carry out rules and regulations.

In whatever levels the respondents are, they emphasize more on trust, personal relationship and mutual understanding between superiors and subordinates than the "formality". Subordinates who have no common interest with their boss will find themselves with weak bargaining power or less competitive. Instead, they try to perform well in job as compensation. To them, the performance appraisal performs well, it reflects these employees' achievements, strengths and weaknesses frankly.

Their emphasis on relationship can be understood in Chinese cultural context. In Chinese societies, social harmony, good relationship and proper behavior are virtues.

Company activities are used to establish relationship, social acceptance and show off their other abilities. In principle, company activities are organized to improve communication and stimulate belongingness. The changed purpose reduces the popularity as some employees are not good at showing off, thus their participation is against their own free will; they choose not to join if they can.

The respondents more than once mention "people" as a critical factor in application of management concepts. This can be explained by Chinese culture - Jen. People care how they are being treated. They believe how they are being treated depends on how deep their relationship with others.

The company have been working hard on writing up comprehensive policies and procedures in each operational areas. But the effectiveness of implementation is vested with the person in charge if "people" are regarded so crucial. One remedy the company takes is : let automation do it and let the system control.

Personal connection has no great impact on company's recruitment. There is rigid control on headcounts as US headquarter does. Recruitment, replacement and resignation have to be approved by top management and Personnel Department.

But control over impact of favoritism and resemblance is impossible. From the findings, employees get the feeling that these have substantial impact on appraisal results. That is why some employees participate in company activities and show off so as to let the boss know their behaviors are consistent with theirs - a "very Chinese" style.

MBO

The company does not explicitly state there is MBO system except in Sales Department where commission scheme is implemented. The rationale is : commission scheme is widely acceptable and effective in monitoring sales performance. It motivates staff in the sense that the more the sales generated, the higher the commission rate the salesman is entitled.

The implementation of MBO method in other departments is discretionary since it may not be applicable to all staff. And even there are objectives set or future accomplishment expected put down on the appraisal form, the amount of rewards is not stated nor mentioned. The employees only get the impression that there will be an over average increment rate in next salary adjustment and/or promotion if objectives are met duly. The company intends to allow flexibility in managers' assessment, it does not want to put too much emphasis on specific objectives, otherwise, employees would work hard on them at the expense of ongoing responsibilities. So, contrary to commission scheme, the company is keeping a low profile on Management by Qualitative Objectives.

No matter high profile or low profile, employees raise the concerns about the problems arisen from MBO - as listed in our literature review section. The findings show that respondents are not very much in favor of MBO system with least criticism from Sales people.

There are two phenomena attributable to such attitude. Operational managers puzzle over what the corporate strategy is, what the corporate is driving at. Without clear picture in mind, managers work on immediate problems and requests, consequently what they can convey to their subordinates is also short-term targets. The time-frame in mind is usually a year. As a result, short-sightedness spread around.

Another phenomenon is : employees find themselves working in an environment with conflicting interests. They are competing for resources while they do not want to worsen any relationship with peers.

Here, the company repeats its management philosophy - total customer

satisfaction. Employees are asked to treat all people to whom they are rendering services as their customers, no matter they are real customers, supervisors, subordinates, peers etc. The purpose is to encourage co-operation, eliminate selfishness especially in Chinese societies, maintain harmony and utilize resources in an efficient and effective way. By doing so, the company hopes to turn conflicting interests into employees' own interests.

From employees' feedback, "customer satisfaction" adds to their burden. Taking a positive perspective, employees do follow the rules of game, step forward to co-ordinate with others, or at least, to communicate with peers and their supervisors. It matches quite well with the original purpose.

Apart from the above, the company allows and encourages employees' involvement in goal-setting. Employees feel this a bit time-wasting as superiors would have the final say. But the reason lies behind the willingness to live with superiors' domination in objective-setting is they are officially given the chance to speak up.

Motivation •

The company has not put great emphasis on career planning and staff development especially to non-sales personnel. To sales people, training is mainly on technology update and product-specific. The company is young with staff of late 20s on average, training and development opportunities should be highly accepted and a good trade off with monetary rewards. However, the subject company does not appear enthusiastic in such development. What is the reason behind?

Following Maslow's hierarchy of human needs, employees in the case study

have physiological needs and security needs satisfied. They are striving for the other three high level needs: belongingness, esteem and self-actualization. Nevertheless, the ways to these needs satisfaction are materialistic in nature as demanded by respondents.

The company does have training aid policy to provide assistance to staff in taking courses directly related to job duties and responsibilities. Subsidy to further study is conditional - commitment to continue the office for definite years.

In the late 80s, the company experienced high staff turnover problem as the other corporation in Hong Kong did. The job market was really active at that time. To compete for the best people and retain existing staff, the company was considering whether the incentive and compensation package should be reviewed, what other measures could be taken to attract and retain staff.

From observation and informal interview with employees, the company got a couple of ideas :

- 1) Recent "comers" who had joined the company not more than one year were more likely to quit than those had worked with the company for a long time.
- 2) The leavers were leaving for either higher salary or less workload.
- 3) Maybe because of 1997 issue which covered the territory with uncertainty, people were short-sighted without long-term career planning, they were looking for immediate high returns.

To respond, the company aimed at giving monetary rewards. Some actions were taken to meet the aim : salary scale were adjusted to above average, discretionary bonus was provided if profit was generated for the year, years of

service to qualify employer's contribution in provident fund scheme were shortened. These measures were simple and involved minimum administrative costs.

Our findings showed employees are mostly in the pursuit of monetary rewards. Respondents who look for job security are satisfied with current state of being while those who have their own career path in mind find current status a stepping stone.

On the question of other incentive/compensation they like to add, common items are housing allowance, stock ownership. Their wants are understandable as housing constitutes a substantial portion of household expenditure in Hong Kong; for ESOP, it is a good way of investment, if not speculation that many Hong Kong people are interested in; the company stock price has been going upwards steadily.

On the part of the company, the former would cost a lot (allowance itself and administrative cost), though effective in retaining staff; the latter, it would have to be decided by Headquarter, even if it is implemented, it would be conditional, i.e. free disposals would not be allowed. The rationale is : it should be a scheme that encourages belongingness and integration of individual interests with company interests, staff are encouraged to hold the stock, not trade. Otherwise, the company effort would be in vain.

It is derived from the above the purpose of employers and employees would be quite different in such scheme if it is done.

From Chinese culture perspective, Chinese enter into business transactions based on trust. But in Chinese management, organization structure is highly

centralized, employers keep an eye on their employees, set rules for employees to follow and exercise tight control. "Trust" does not perform in management. The ESOP scheme mentioned above and demand for unconditional continuing education subsidy suggested by respondents in Chapter V give evidence on lack of trust between employer and employees.

Respondents do not have deep concern on best employee and long-service awards since the former is non-recurring and latter is delivered once a year, so we cannot conclude employees lack drive to improve or sense of loyalty.

The rationale of the company in giving a non-recurring award is : the company wants to convey a message to employees that their contributions will be recognised by the company; "an employee is the best employee of the year" does not mean he/she is the best among staff, the company does not want to arouse strict competition nor struggle among employees. "The best" means the employee contributes to the company's interest - either increasing sales or saving costs by his creative ideas, distinct competence or outstanding performance. There is no strict guidelines on the criteria but the general manager's judgement, so it is not a practice to present the award every year. In other words, the award is a sign of recognition rather than a motivator.

In consequence, employees either forget or are not aware of such award.

Similarly, the long-service award is a sign of recognition of employees' loyalty, it does not work to retain staff.

The company adopts "doors are always open" policy in communication. Though it is vertically specialized, it does not stop juniors to talk directly to the top management if their seniors have been told the issue but cannot help. This

policy is to narrow the gap between top and bottom, increase understanding between employer and employees and create free, democratic atmosphere.

However, from our findings, respondents seldom resort to talking to the top, they would still approach their immediate supervisors. The reason is : the problems they have are mostly operational, they do not think the top will get the point or will spend time on them. And they do not feel comfortable with talking to the top. Another reason is : they fear their immediate superiors will be embarrassed if they do so. There are some insights. Subordinates are rooted with a hierarchy of power in an organization, the head is not easily reached. Moreover, subordinates care what their superiors' feelings since they are the ones with whom they are closely working, they are willing to destroy existing working relationship, being afraid that they are the losers at the end.

The findings have indicated some respondents may like to come closer to their boss. But it does not mean they do not accept the hierarchy. Contrarily, they aspire such power distance, they want to get closer because they hope to upgrade themselves to a higher hierarchy, not just narrow the gap. Moreover, power distance is well justified in Chinese cultural concept - Li.

Though it is not an explicit practice, management team occasionally remind each other and the middle management on the importance of giving appreciation to subordinates. Praise should be given openly while criticism should be made private. The reason is simple, not to let anybody lose face while recognise good job performance and build up models.

It appears to the writer that appreciation of work done is highly valued by superiors and subordinates as a key attribute in motivation. Is it because Chinese

are traditionally implicit in giving appreciation so we make it invaluable ? Is it because great praise would be identical to "face" given, especially it is given by a upper hierarchy ?

Theoretically, the company emphasizes teamwork and discourages individualism. It matches quite well with the low individualism index Hong Kong offices obtained in Hofstede's study (Fukuda / Routledge, p.84). There should not be any hero as the company does not want to create any image that somebody is indispensable.

Nevertheless, respondents in our findings perceive a good leadership as a "superman". The leader possesses legitimate, reward, coercive, expert and referent power. Besides, all three levels of employees point out being morally upright, or at least, appearing morally upright is one of the key attributes of a good leader. In their conversations, subordinates like to characterise their bosses with historical figures.

While subordinates welcome clear instructions given by their superiors, they also require more autonomy in completion of the job. The findings generally support equity theory developed by J. Stacy Adams (Daft: 1991, p.410), the theory proposes that employees are motivated to seek equity in rewards they expect for performance and thus they have strong request for impartial attitude from their superiors. Again it fits in the good Chinese management that managers have to be impartial in giving rewards and punishment.

A summary of ranking order of motivation attributes by the three levels is presented :

TABLE 6.1
RANKING OF MOTIVATION ATTRIBUTES

Ranking	Top management	Middle management	Field staff
1	Pay	Pay	Pay, Promotion
2	Job	Promotion	-
3	Promotion	Job	Job
4	Supervisor	Supervisor	Supervisor
5	Peers	Peers	Peers

In Fukuda/Routledge's survey on Chinese Workers under Japanese Management, it states people in the newly-industrialized countries regard money, as relatively more important and challenging work as less important than Americans do (Fukuda / Routledge, p.162). Above ranking gives one more evidence to the statement even in top management level. Situation in Hong Kong may be complicated by uncertainty issue. Acceptance of challenging work is of benefit in long-term, it gives opportunities to develop oneself; but right now people need cash - for future emigration, for enjoyment, for making more money... It is not surprising employees will leave for higher pay.

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CHAPTER VII

CONCLUSION AND RECOMMENDATIONS

In this chapter, we try to summarise the attitudes of both management and subordinates toward current management practices in the company. As well, from this case study, it is hoped some hints can be given to other foreign companies which are now operating in Hong Kong and those which tentatively set up an establishment in the territory on:

- 1) elements that have to be taken into consideration in transferring western management concepts to increase organization effectiveness,
- 2) cultural dimensions that multinational corporations can make use of.

Recommendations to Company

Before a complete localization in 1986, appropriate kinds of western management theories and practices were introduced to the subject foreign subsidiary. They were implemented to enhance organizational effectiveness and ensure consistency with the headquarter. Being a foreign subsidiary operating in the meeting place of oriental and western culture, localization would not affect implementation of western practices. But they were revised as time passed by to keep up-to-date with prevailing changes and to fit in the culture. In other words, the management team would not accept western management practices without question.

Apart from modification of western management concepts, management style is quite different. One obvious difference is : local managers and

subordinate avoid confrontations that are used by western managers. The former rely on interpersonal relationship rather than interpersonal confrontations.

Since we do not carry out study on all management functions in the company, what we can evaluate and give comments on are the areas that we "have touched".

In general, the company has been doing a good job. It has not suffered from any above market average staff turnover rate. It is/was recognised as the best supplier in the industry by its customer. There are clear rules and procedures in respect of appraisal system, in each assessment, supervisors are reminded of the importance and asked to treat the appraisal serious. Officially, performance is the only criteria; in reality, there are considerations, seniority, loyalty, employees' influence on others are some of the examples. To neutralize psychological impacts of these other considerations on supervisors and subordinates, the company borrows the use of vertical specialization while it is considered necessary in a state of growth; loyalty is taken care of by presenting long-service awards each year.

It is shown employees like to see a clarified organization structure with specified number of levels and positions so that employees know the path and where he/she would be. An appraisal system can perform well only when there is proper management training to superiors. A-few-day seminars or courses run by external bodies may not help; the management team has tertiary education background, most of them are equipped with theoretical knowledge in management. What we recommend here is training from a practical perspective, for example, secondment - let managers work in fellow subsidiaries overseas,

functional management conferences - let functional managers of the group meet, talk about the specific problems they come across and share the experience. On the part of employees, they should be injected with the knowledge about their roles in performance appraisal.

Besides training, appraisal method can be enriched by adding critical incident method to existing rating scales. Superiors should formally create critical incident files, they can record good and/or bad employee behaviors in different situations. By this method, fear of recency or primacy effect in performance appraisal can be eliminated.

It is known US companies focus on present and near future, MBO has been doing a good job as it is a doing-oriented method. The caption company, being a US subsidiary, does not escape the characteristic of a US company described above. But the adoption of MBO has not been active except in Sales Department where there is a carefully designed commission scheme where the Four Stages in Figure 3.2 can be applied. In general, MBO system does not receive much welcome from employees except salesmen (actually, what they favor is the commission system). Inherent in MBO are lots of confrontations required in objective-setting, action plans, progress review etc. Respondents' negative comments and fear of confrontations thus undermine the benefits that MBO method can bring. As mentioned, confrontation is not the norm among local employees, it is understood why company is keeping a low profile on MBO system or adopts it selectively.

One of objectives of appraisal in the company is to improve two-way communication between employees and management about performance, goals,

training and work condition. From our study, both parties are looking for channels to shorten the distance in between without undermining the formal relationship. One of the thoughts to help is Management by Wandering Around (MBWA). Though it is a foreign-based subsidiary, it is of small to medium size but extraordinary levels, this creates difficulty in getting closer to employees, later, managers will lose trust and will then be isolated. MBWA is a technique for learning what goes on in the company and a way to get to know their employees. The company has been declaring its "doors are always open" policy and it possesses a team of young managers, MBWA would be an acceptable communication channel - listen to others, see what are going on, eliminate fears.

Basically, the company's reward system satisfies employees' physiological needs by pay, safety needs by job security, esteem needs by promotion and benefits available to only managerial staff.

No matter in what culture people are living, employees are complex and motivated by many factors. As suggested in Theory E that people have characteristics of Theory X and Y AND the Human Resource Approach that introduces the concept of whole person, human beings are both economic and social men, an employer needs to manipulate employees through economic and social rewards (Daft: 1991, p.403). It may be a perfect marriage to have Hong Kong employees who look for immediate returns and monetary rewards working for a US based company which focuses on present and near future. However, employees' social needs are not catered for at this stage, furthermore, the fulfilment of self-actualization needs remains empty without long-term planning in the company. Though the phenomenon of short-sightedness is dominant,

employees do realize the importance of self-development as an asset, it is suggested the company should pay more effort on it.

From our findings, employees do not have much confidence on the feasibility of integration among individual, departmental and organizational goals because goal-setting is dominated by superiors, such domination leads them feeling that the goals are organization or department inclined. In addition, they are not comfortable with those goals if they cannot be achieved in short-term or they do not match with their long term career goal. What we would recommend here is : make full use of self-appraisal which is an effective process to improve communication; let employees' set its long-term and short-term wishes in the self-appraisal forms, rather than set goals and objectives, discuss with them how these wishes can be realized at the workplace.

Reminders to Foreign Subsidiaries in General

The implications of this study on application of modern management concepts are presented as follows:

- * Similar to doing business in China, "guan-xi" is important in running a company in Hong Kong. That is, people concern much on their relationships with all parties: supervisor, peers and subordinates.
- * Behavior tends to be different when people deal with different levels of counterparts.
- * Both employers and employees do not like to go to extremes. Being acceptable is virtual.
- * Employees are sensitive to impartiality in rewards / punishment system.

- * Management and subordinates demand trust but are mean in showing trust to others.
- * Appreciation to others' efforts is not generously given.
- * "Face" is particularly essential. Chinese do not want to lose face and will save face for others.
- * Psychologically or traditionally, employees aspire people with power, high power distance is not a serious problem.
- * Harmony in company is treasured. A leader should behave as a good model for subordinates to follow.
- * Hong Kong Chinese are so flexible that may create the problem of violating rules and regulations.

The above list is not a bible but can be a useful reminder to foreign subsidiary operating in Hong Kong, no matter whether the company is headed by expatriate or Hong Kong Chinese.

Limitations

1. In our case study, only eight employees out of 100 staff are selected. Their responses may not be representative, thus our analysis may not be true and fair.
2. Only three areas are selected as focus of study, the result may be totally different if other areas are chosen because the company would have or have not modified the western management concept as appropriate. We cannot generalize the impact from our study.
3. Our research takes the form of case study which is bound not to be representative. We cannot strictly apply our findings and analysis to other

foreign subsidiary operated by Hong Kong Chinese in the territory.

4. Respondents' opinions can be similar with employees in another country. Their attitudes may not be mainly caused by cultural differences. e.g. opinions on problems with MBO, employees with other cultural background may feel the pressure, the degree may be different but it is hard to measure.
5. Respondents' attitudes may be deeply affected by their past experiences with their supervisors on particular incidents.

Final Conclusion

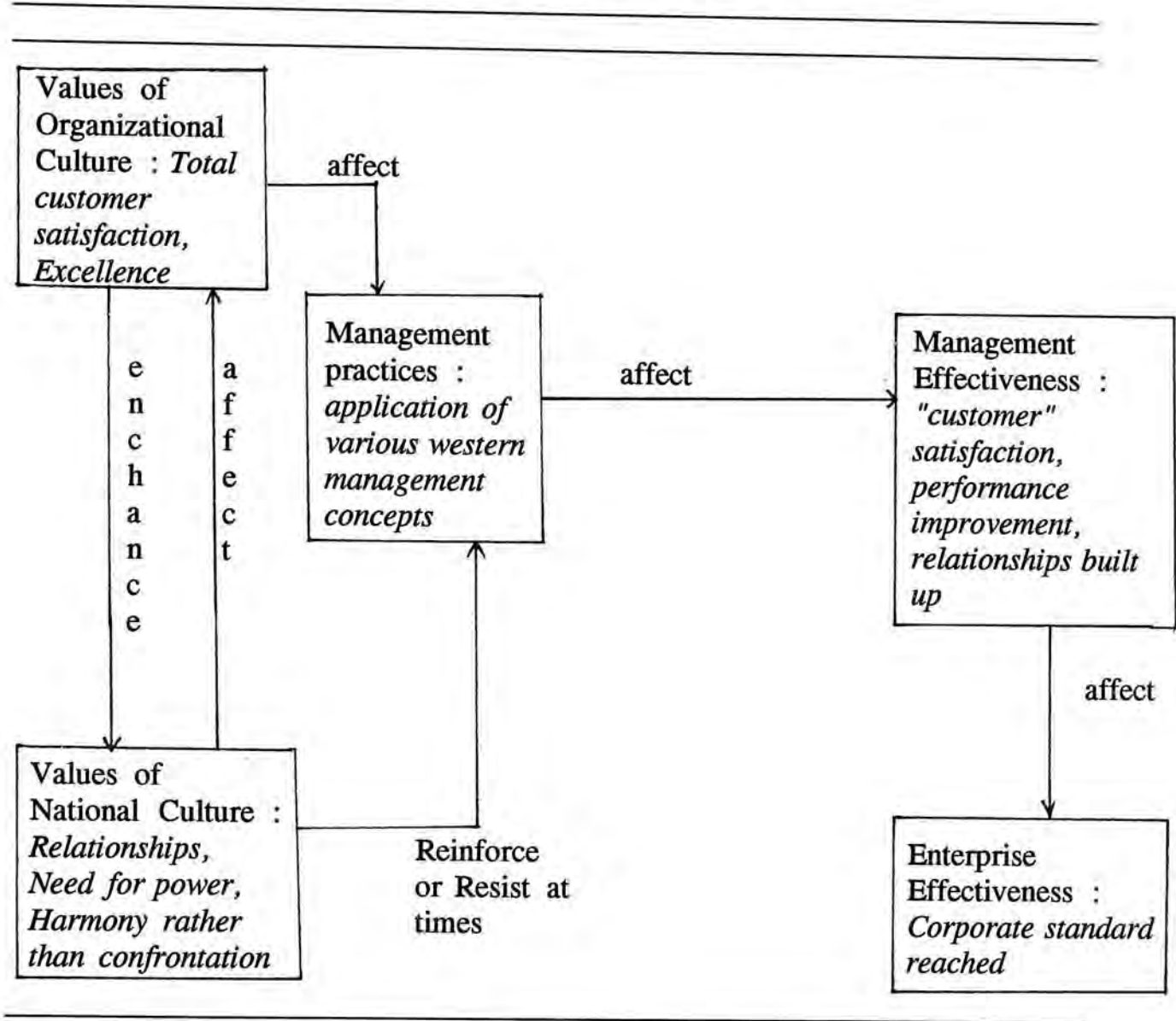
According to E.R.Zilbert, every problem is a unique problem, managers have to deal with it by a unique solution. The same problem in a different culture is a new problem, the applicability of management principles to these will vary as argued by Oberg.

Based on Fukuda's Comparative Management Model, the company's management model is described in Figure 7.1.

Localization has the benefit of understanding employees of same cultural background. So far, western management concepts and practices have been applied to Hong Kong environment without any great negative feedbacks from staff, it may be due to our readiness to accept and the way people are brought up (we are intentionally or unintentionally in contact with western culture). Modification to western concepts is natural, just like tailor-made European dishes for Hongkongese.

FIGURE 7.1

THE COMPANY MANAGEMENT MODEL



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Appendix

INTERVIEW QUESTIONNAIRE

Position	
Age	
Sex	
Years with the company	
Immediate supervisor (position)	
No. of subordinates	
Had you ever worked for a foreign subsidiary in Hong Kong with or headed by expatriates ?	

Performance Appraisal

- 1) In your views, what are the key purposes of performance appraisals ?
- 2) Which of the above purposes are achieved in the performance appraisals conducted in your company ?
- 3) In your views, what are the problems with performance appraisals ?
- 4) In your opinion, can "following policies and procedures" ensure you promising / reasonable appraisal result or reward/punishment ?
- 5) How useful do you think the performance appraisal is in improving job performance and quality ?
- 6) How would you rate the fairness of the performance appraisal results on

a 5-point scale with 5 being the most satisfactory ? Give reasons to elaborate your rating.

- 7) Have you come across any biased appraisal result ? What was/were the incident(s) that led to such bias ?
- 8) How would you rate the extent the appraisal results are affected by :
 - i) favoritism
 - ii) resemblance between supervisor and subordinate on behavior and intereston a 5-point scale with 5 being the mostly affected ?
- 9) Do you have any other thoughts on performance appraisals in your company and in general ?

MBO

- 1) In your views, what are the benefits of MBO ?
- 2) In your views, what are the problems with MBO ?
- 3) In your opinion, do you agree the statement that "MBO system is a fair grading in measuring performance." ? Why ?
- 4) In your opinion, do you think the objective setting is dominated by supervisor and to what extent ?
- 5) How would you rate the effectiveness of MBO in improving communication between superior and subordinate on a 5-point scale with 5 being extremely effective ?

- 6) What is your opinion on the integration among individual goals, departmental goals and organization goals ?
- 7) Do you think MBO would create some kind of disharmony or conflict of interest among peers and among departments ? If yes, in what way ?
- 8) Have you come across above disharmony or conflict of interest and how did you respond ?
- 9) In your views, would MBO system impede creativity and initiativeness ?
- 10) Do you have any other thoughts on MBO system in your company and in general ?

Motivation

- 1) What are the incentives given by your company ?
- 2) Please rank the above by order of preference.
- 3) Among them, which are you looking towards most right now ?
- 4) In your opinion, how far do your immediate needs match with incentives offered by your organisation currently ?
- 5) Which incentive do you think your subordinates prefer most ?
- 6) How would you communicate with your superior about your needs ?
- 7) What kind of incentives do you want to add to existing incentive system ?
- 8) In your view, what are the key attributes of motivating subordinates ?

- 9) In your view, what are the key attributes of a good leader ?
- 10) Please describe current leadership style you have come across. How far were you happy with or how far could you live with it ?
- 11) In your opinion, what are the greatest problems encountered in supervision?

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